

# **TOWN OF KINDER, LOUISIANA**

## **ANNUAL FINANCIAL REPORT AND INDEPENDENT AUDITORS' REPORT**

**YEAR ENDED JUNE 30, 2011**

***Royce T. Scimemi, CPA, APAC***  
**Obérin, LA**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **DEC 21 2011**

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## TOWN OF KINDER, LA.

### Management's Discussion and Analysis

Within this section of the Town of Kinder, Louisiana's annual financial report, the Town's management is pleased to provide this narrative discussion and analysis of the financial activities of the Town for the fiscal year ended June 30, 2011. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

#### FINANCIAL HIGHLIGHTS

- The Town's assets exceeded its liabilities by \$12,150,671 (net assets) for the fiscal year reported.
- Total revenues of \$4,720,682 exceeded total expenses of \$3,729,490 which resulted in a current year surplus of \$991,192. In comparison, for the previous year ended June 30, 2010, the Town's total revenues of \$3,877,163 exceeded its total expenses of \$3,634,457, yielding a surplus of \$242,706.
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, of \$8,461,045 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets. In comparison, as of June 30, 2010, the Town's net capital assets were \$7,616,258.
  - (2) For the fiscal years ended June 30, 2011 and 2010, respectively, net assets of \$80,030 and \$91,316 were restricted by constraints imposed from outside the Town such as debt covenants, grantors, laws, or regulations.
  - (3) Unassigned/Unrestricted net assets, representing the portion of net assets available to maintain the Town's continuing obligations to citizens and creditors, amounted to \$3,609,596 and \$3,451,905 for the fiscal years ended June 30, 2011 and 2010, respectively.
- The Town's governmental funds reported total ending fund balance of \$3,209,654 this year. This compares to the prior year ending fund balance of \$2,962,493, reflecting an increase of \$247,161 during the current year. For the prior year ended June 30, 2010, a decrease of \$433,989 was reported in the total ending fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$438,369, or 23% of total General Fund expenditures and 24% of total General Fund revenues including other financing sources. In comparison, for the fiscal year ended June 30, 2010, unreserved fund balance for the General Fund was \$491,640, or 28% of total General Fund expenditures and 28% of total General Fund revenues including other financing sources.
- Overall, the Town continues to maintain a strong financial position and is continuing to work to improve on this financial position.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

#### OVERVIEW OF FINANCIAL STATEMENTS

This Management's Discussion and Analysis document introduces the Town's basic financial statements, which include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The Town also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available.

## TOWN OF KINDER, LA.

### Management's Discussion and Analysis (Continued)

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Town's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Assets*. This is the government-wide statement of position presenting information that includes all of the Town's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town as a whole is improving or deteriorating. Evaluation of the overall health of the Town would extend to other non-financial factors such as diversification of the taxpayer base, or the condition of Town infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the Town's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

Both government-wide financial statements distinguish governmental activities of the Town that are principally supported by sales and other ad valorem taxes from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities principally include general government, public safety and streets. Business-type activities include the gas and the water and sewer systems.

The government-wide financial statements are presented on pages 18 and 19 of this report.

#### FUND FINANCIAL STATEMENTS

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The Town has two kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Town's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

## TOWN OF KINDER, LA.

### Management's Discussion and Analysis (Continued)

The basic governmental fund financial statements are presented on pages 22 through 27 of this report.

Individual fund information for non-major governmental funds is found in combining statements in a later section of this report.

*Proprietary funds* are reported in the fund financial statements and generally report services for which the Town charges customers a fee. The two Town proprietary funds are classified as enterprise funds. These enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements.

The basic enterprise fund financial statements are presented on pages 28 through 30 of this report.

### NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin on page 31 of this report.

### OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's budget presentations. The management's discussion and analysis and budgetary comparison statements are included as "required supplementary information" for the general fund and the major special revenue funds. These statements and schedules demonstrate compliance with the Town's adopted and final revised budgets. Required supplementary information can be found on pages 46 through 51 of this report.

As discussed, the Town reports major funds in the basic financial statements. The other supplementary information including the combining and individual financial statements for non-major funds, the schedule of number of utility customers, the schedule of insurance in force, and the schedule of compensation paid to Mayor and Council members are presented in a subsequent section of this report beginning on page 54.

# TOWN OF KINDER, LA.

## Management's Discussion and Analysis (Continued)

### FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town's net assets at fiscal year-end are \$12,150,671. The following table provides a summary of the Town's net assets:

	Summary of Net Assets			
	Governmental Activities	Business-Type Activities	Total	Percentage Total
<b>Assets:</b>				
Current assets	\$ 3,715,054	\$ 797,376	\$ 4,512,430	25%
Capital assets	<u>10,882,735</u>	<u>2,363,675</u>	<u>13,246,410</u>	<u>75</u>
<b>Total assets</b>	<u>14,597,789</u>	<u>3,161,051</u>	<u>17,758,840</u>	<u>100%</u>
<b>Liabilities:</b>				
Current liabilities	747,500	240,839	988,339	18%
Long-term liabilities	<u>4,619,830</u>	<u>-</u>	<u>4,619,830</u>	<u>82</u>
<b>Total liabilities</b>	<u>5,367,330</u>	<u>240,839</u>	<u>5,608,169</u>	<u>100%</u>
<b>Net assets:</b>				
Investment in capital assets, net of debt	6,097,370	2,363,675	8,461,045	70%
Restricted	80,030	-	80,030	1
Unassigned/Unrestricted	<u>3,053,059</u>	<u>556,537</u>	<u>3,609,596</u>	<u>29</u>
<b>Total net assets</b>	<u>\$ 9,230,459</u>	<u>\$ 2,920,212</u>	<u>\$12,150,671</u>	<u>100%</u>

The Town continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio is 4.97 to 1 for governmental activities and 3.31 to 1 for business-type activities. This compares with the prior year's ratios of 6.54 to 1 and 3.8 to 1, respectively. For the Town overall, the current ratio is 4.57 to 1 while that same financial indicator was 5.7 to 1 for the fiscal year ended June 30, 2010. These ratios are weakening, but still strong.

The Town reported positive balances in net assets for both governmental and business-type activities. For the fiscal years ended June 30, 2011 and 2010, respectively, net assets increased (decreased) by \$1,312,856 and \$366,111 for governmental activities and by (\$321,664) and (\$123,405) for business-type activities. The Town's overall financial position improved during the fiscal year ended in 2011.

Note that approximately 66% and 63% of the governmental activities' net assets are tied up in capital assets as of June 30, 2011 and June 30, 2010, respectively. The Town uses these capital assets to provide services to its citizens. However, with business type activities, the Town has spent approximately 81% and 81% of its net assets on capital assets during the respective fiscal years ended June 30, 2011 and 2010. Capital assets in the business-type activities provide utility services, but they also generate revenues for this fund. For the respective fiscal years ended June 30, 2011 and 2010, 70% and 68% of the Town's total net assets, net of debt, are included in capital assets.

TOWN OF KINDER, LA.

Management's Discussion and Analysis (Continued)

The following table provides a summary of the Town's changes in net assets:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>	Percentage <u>Total</u>
Revenues:				
Program:				
Charges for services/fines	\$ 381,185	\$ 1,638,372	\$ 2,019,557	43%
Operating grants	414,549	-	414,549	9
Capital grants	1,095,971	-	1,095,971	23
General:				
Sales taxes	592,770	-	592,770	13
Other taxes	280,944	-	280,944	6
Interest	58,828	1,867	60,695	1
Other	<u>256,196</u>	<u>-</u>	<u>256,196</u>	<u>5</u>
Total Revenues	<u>3,080,443</u>	<u>1,640,239</u>	<u>4,720,682</u>	<u>100%</u>
Program expenses:				
General government	625,734	-	625,734	17%
Public safety:				
Police	1,112,122	-	1,112,122	30
Streets	273,285	-	273,285	7
Section 8 Housing	361,777	-	361,777	10
Interest	76,753	-	76,753	2
Utility expenses	<u>-</u>	<u>1,279,819</u>	<u>1,279,819</u>	<u>34</u>
Total Expenses	<u>2,449,671</u>	<u>1,279,819</u>	<u>3,729,490</u>	<u>100%</u>
Excess (deficiency)	630,772	360,420	991,192	
Transfers	<u>682,084</u>	<u>(682,084)</u>	<u>-</u>	
Change in net assets	1,312,856	(321,664)	991,192	
Beginning net assets	<u>7,917,603</u>	<u>3,241,876</u>	<u>11,159,479</u>	
Ending net assets	<u>\$ 9,230,459</u>	<u>\$ 2,920,212</u>	<u>\$ 12,150,671</u>	



## TOWN OF KINDER, LA.

### Management's Discussion and Analysis (Continued)

#### GOVERNMENTAL REVENUES

The Town is heavily reliant on sales taxes to support governmental operations. Sales taxes equal 19% of the revenues for governmental activities, as compared with 26% in the prior year. Also note that program revenues cover only 77% (45% in the year ended June 30, 2010) of governmental operating expenses. This means that the government's taxpayers and the Town's other general revenues fund 23% (55% in the prior fiscal year) of the governmental activities. As a result, the general economy and the local businesses have a major impact on the Town's revenue streams.

#### GOVERNMENTAL FUNCTIONAL EXPENSES

For the fiscal years ended June 30, 2011 and 2010, respectively, police services comprised 30% and 30% of the Town's total expenses and 45% and 48% of the total governmental expenses.

This table presents the cost of each of the Town's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the Town's taxpayers by each of these functions.

#### Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost (Benefit) of Services</u>
General government	\$ 625,734	\$ (613,319)
Public safety:		
Police	1,112,122	836,316
Streets	273,285	273,285
Section 8 Housing	361,777	(15,089)
Interest on long-term debt	76,753	76,753
Total	<u>\$ 2,449,671</u>	<u>\$ (557,966)</u>

#### BUSINESS-TYPE ACTIVITIES

##### Revenues vs. Costs

The operating revenues for the utility funds were 4% less than 2010 and operating expenses 5% less than 2010. In comparison the fiscal year ended in 2010 reflected operating revenues for utility funds at 17% more than the previous year and operating expenses at 10% more than that the previous year. Within the total business-type activities of the Town, these activities reported a \$360,420 operating income compared to an operating income of \$360,238 for the prior year.

However, after operating transfers out, the funds reported a loss of \$321,664, which compares with the overall fund loss of \$123,405 experienced in the year ended June 30, 2010.

#### FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

##### Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$3,209,654 and \$2,962,493, for the fiscal years ended June 30, 2011 and 2010, respectively. Of these year-end totals, \$3,129,654 and \$2,871,177 were unassigned for the respective years, indicating availability for continuing Town service requirements. Legally restricted fund balances

## **TOWN OF KINDER, LA.**

### **Management's Discussion and Analysis (Continued)**

(i.e., formerly the reserved fund balances) included \$80,030 and \$91,316 committed to service debt in the years ended June 30, 2011 and 2010, respectively.

The total ending fund balances of governmental funds show an increase of \$247,161. This compares with a decrease of \$433,989 experienced in the prior fiscal year ended June 30, 2010.

#### **MAJOR GOVERNMENTAL FUNDS**

The General Fund is the Town's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance decreased by \$53,001 in the current fiscal year, while in the fiscal year ended June 30, 2010, the fund balance increased by \$27,707. However, the reader needs to remember that the Town controls these differences by the amount of resources it transfers in from the Town's other funds.

The revenues show a decrease of \$119,614 or 12% less than the prior year, while in the fiscal year ended June 30, 2010, such revenues decreased \$40,965 or 4% less than the preceding year. The expenditures side shows a increase of \$117,838 or 7% more than the prior year. In comparison, the prior year expenditures increased by \$10,535, which was 1% more than the preceding fiscal year.

The General Fund's ending fund balance was less than the prior year representing the equivalent of 23% of its annual expenditures.

The Sales Tax Fund continues to maintain a strong fund balance with revenues in 2011 being 3% more than those earned in the fiscal year ended June 30, 2010, which had experienced an 11% decrease from the preceding year.

The Gaming Fund continues to maintain a strong fund balance as revenues in 2011 were 6% more than those earned in the fiscal year ended June 30, 2010.

The Wastewater Construction Fund is a fund utilized for the renovations to the wastewater collection system.

#### **THE PROPRIETARY FUNDS**

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term information about financial status.

**TOWN OF KINDER, LA.**

**Management's Discussion and Analysis (Continued)**

**BUDGETARY HIGHLIGHTS**

The General Fund - Both the revenue and the expenditure sides of the current year final budget for the General Fund were revised by a \$72,970 decrease and a \$83,907 increase, respectively in relation to the prior year's final budget. The primary change in the General Fund's revenue budget relates to decreases in interest and miscellaneous income, and expenditure budget decreases to street department expenditures.

The actual revenues exceeded the final budget by \$165,598 or 24% and the actual expenditures were more than the final budget by \$107,110 or 6%.

The Sales Tax Fund - Both the revenue and the expenditure sides of the current year final budget for the Sales Tax Fund were revised by a \$11,488 decrease and a \$703 increase, respectively in relation to the prior year's final budget. The primary change in the Sales Tax Fund's revenue budget relates to the increase in capital outlays.

The actual revenues exceeded the final budget revenues by \$10,408 or 2% and the actual expenditures exceeded the final budget by \$68,228 or 291%.

The Gaming Fund - The revenue side of the current year's final budget for the Gaming Fund was revised by a \$28,086 decrease in relation to the prior years final budget. The primary change in the Gaming Fund's revenue budget relates to the overall increase in interest income.

The actual revenues exceeded the final budgeted revenues by \$2,119 or 1%.

# TOWN OF KINDER, LA.

## Management's Discussion and Analysis (Continued)

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital assets

The Town's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2011, were \$10,882,735 and \$2,363,675, respectively, while those figures as of June 30, 2010, were \$6,564,541 and \$2,620,395 respectively. The overall increase was 44% for the Town as a whole. See Note D for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

	Capital Assets					
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Non-depreciable assets:						
Land	\$ 433,968	\$ 460,848	\$ 15,300	\$ 15,300	\$ 449,268	\$ 476,148
Construction in progress	<u>3,860,154</u>	<u>1,425,418</u>	-	-	<u>5,860,154</u>	<u>1,425,418</u>
Total non-depreciable	6,294,122	1,886,266	15,300	15,300	6,309,422	1,901,566
Depreciable assets:						
Buildings & plants	2,584,006	2,584,006	7,118,159	7,091,208	9,702,165	9,675,214
Furniture & equipment	1,044,783	1,038,315	-	-	1,044,783	1,038,315
Infrastructure	<u>3,112,709</u>	<u>3,088,324</u>	-	-	<u>3,112,709</u>	<u>3,088,324</u>
Total depreciable assets	6,741,498	6,710,645	7,118,159	7,091,208	13,859,657	13,801,853
Less accumulated depreciation	<u>2,152,885</u>	<u>2,032,370</u>	<u>4,769,784</u>	<u>4,486,113</u>	<u>6,922,669</u>	<u>6,518,483</u>
Book value-depreciable assets	<u>\$ 4,538,613</u>	<u>\$ 4,678,275</u>	<u>\$ 2,348,375</u>	<u>\$ 2,605,095</u>	<u>\$ 6,936,988</u>	<u>\$ 7,283,370</u>
Percentage depreciated	32%	30%	67%	63%	50%	47%
Book value-all assets	<u>\$10,882,735</u>	<u>\$ 6,564,541</u>	<u>\$ 2,363,675</u>	<u>\$ 2,620,395</u>	<u>\$ 13,246,410</u>	<u>\$ 9,184,936</u>

The depreciable capital assets for governmental activities were 32% and 30% depreciated for the fiscal years ended June 30, 2011 and June 30, 2010, respectively. This comparison indicates that the Town is replacing its assets at the rate faster than they are depreciating.

The major additions are:

- Waste water-system improvement project
- 4 police cars

With the Town's business type activities, 67% of the asset values were depreciated at June 30, 2011 compared to 63% at June 30, 2010.

## **TOWN OF KINDER, LA.**

### **Management's Discussion and Analysis (Continued)**

#### **Long-term debt**

At the end of the fiscal year, the Town had total long-term debt outstanding of \$4,810,764. All of this amount is backed by the full faith and credit of the Town (general obligation bonds) with debt service funded by sales taxes and general fund revenues.

During the year, the Town issued \$6,798,108 and retired \$3,587,801 in long term debt. See Note G for additional information regarding long-term debt.

#### **ECONOMIC CONDITIONS AFFECTING THE TOWN**

Since the primary revenue stream for the Town is sales taxes, the Town's sales tax revenues are subject to changes in the economy. Since sales are considered an "elastic" revenue stream, tax collections are higher in a flourishing economy and are lower in a depressed economy.

The current compact with the Coushatta Tribe of Louisiana began in 2001 and automatically renewed in 2010. The gaming revenues to be submitted to the Town were scheduled in that compact to be at \$410,000 per year to assist with increased critical services like fire protection, police protection, and construction, maintenance, and repair of municipal infrastructure and housing. Recent gaming payments to the Town for the current fiscal year amount to a little under \$45,000 per quarter. This represents a decrease of 56% of the funding from the original compact.

#### **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Town's finances, comply with finance-related laws and regulations, and demonstrate the Town's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the Town Clerk, Traci Fontenot, P.O. Drawer AH, Kinder, LA 70648.



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Society of Louisiana  
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## INDEPENDENT AUDITORS' REPORT

December 5, 2011

To the Honorable Estes LeDoux, Mayor and Members of the Town Council  
Town of Kinder, Louisiana

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the Town of Kinder, Louisiana, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town of Kinder, Louisiana's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Kinder, Louisiana, as of June 30, 2011, and the respective changes in financial position, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2011 on our consideration of the Town of Kinder, Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditors' Report  
To the Honorable Estes LeDoux, Mayor and Members of the Town Council  
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Accounting principles generally accepted in the United States of America requires that the management's discussion and analysis, the budgetary comparison information and the required supplementary information on pages 4 through 13 and pages 46 through 51, respectively, be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the Town's basic financial statements as a whole. The other supplementary information on pages 51 through 57 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting or other records used to prepare the financial statements. Such information, except for the portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Royce T. Scimemi, CPA, APAC

*Royce T. Scimemi, CPA, APAC*

## **BASIC FINANCIAL STATEMENTS**



**GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)**

Town of Kinder, LA  
Statement of Net Assets  
June 30, 2011

	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash	\$ 2,971,046	\$ 324,050	\$ 3,295,096
Receivables	669,702	176,888	846,590
Restricted cash	74,306	251,647	325,953
Restricted investments	-	44,746	44,746
Restricted receivables	-	45	45
Capital assets:			
Land	433,968	15,300	449,268
Construction in progress	5,860,154	-	5,860,154
Capital assets, net	<u>4,588,613</u>	<u>2,348,375</u>	<u>6,936,988</u>
Total assets	<u>14,597,789</u>	<u>3,161,051</u>	<u>17,758,840</u>
<b>LIABILITIES</b>			
Accounts and other accrued payables	505,400	80,980	586,380
Customer meter deposits	-	159,859	159,859
Interest payable	51,166	-	51,166
Long-term liabilities:			
Accrued compensated absences	25,399	-	25,399
Due within one year	165,535	-	165,535
Due after one year	<u>4,619,830</u>	<u>-</u>	<u>4,619,830</u>
Total liabilities	<u>5,367,330</u>	<u>240,839</u>	<u>5,608,169</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	6,097,370	2,363,675	8,461,045
Restricted for:			
Debt service	80,030	-	80,030
Unassigned/Unrestricted	<u>3,053,059</u>	<u>556,537</u>	<u>3,609,596</u>
Total net assets	<u>\$ 9,230,459</u>	<u>\$ 2,920,212</u>	<u>\$ 12,150,671</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF KINDER, LOUISIANA  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011

	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Activities							
Governmental activities:							
General and administrative	\$ 625,734	\$ 134,436	\$ 15,017	\$ 1,089,600	\$ 613,319	\$ -	\$ 613,319
Streets	273,285	-	-	-	(273,285)	-	(273,285)
Police	1,112,122	246,749	22,686	6,371	(836,316)	-	(836,316)
Section 8 housing	361,777	-	376,846	-	15,069	-	15,069
Interest on long-term debt	76,753	-	-	-	(76,753)	-	(76,753)
Total Governmental Activities	2,449,671	381,185	414,549	1,095,971	(557,966)	-	(557,966)
Business-Type activities:							
Water and sewer	632,741	876,537	-	-	-	243,796	243,796
Gas	647,078	761,835	-	-	-	114,757	114,757
Total Business-Type Activities	1,279,819	1,638,372	-	-	-	358,553	358,553
Totals	<u>\$ 3,729,490</u>	<u>\$ 2,019,557</u>	<u>\$ 414,549</u>	<u>\$ 1,095,971</u>	<u>(557,966)</u>	<u>358,553</u>	<u>(199,413)</u>
General revenues:							
Taxes -							
Property taxes, levied for general purposes					137,708	-	137,708
Sales and use taxes, levied for general purposes					592,770	-	592,770
Franchise taxes					143,236	-	143,236
Grants and contributions not restricted to specific programs						-	-
Local sources					179,834	-	179,834
Interest and investment earnings					58,828	1,867	60,695
Miscellaneous					76,362	-	76,362
Transfers					682,084	(682,084)	-
Total general revenues					1,870,822	(680,217)	1,190,605
Change in net assets					1,312,856	(321,664)	991,192
Net assets - Beginning					7,917,603	3,241,876	11,159,479
Net assets - Ending					<u>\$ 9,230,459</u>	<u>\$ 2,920,212</u>	<u>\$ 12,150,671</u>

The accompanying notes are an integral part of these financial statements.

## FUND FINANCIAL STATEMENTS (FFS)

## MAJOR FUND DESCRIPTIONS

### General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

### Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

#### Sales Tax Fund

To account for the receipt and use of proceeds of the Town's restricted sales and use taxes.

#### Gaming Revenue Fund

To account for the receipt and expenditure of funds in accordance with the compact agreement with the Coushatta Tribe of Louisiana.

### Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

#### Wastewater Construction Fund

To account for financial resources to be used for the renovations to the wastewater collection system.

### Enterprise Funds

#### Water and Sewer Fund

To account for the provision of water and sewerage services to residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

#### Gas Fund

To account for the provision of gas to residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

TOWN OF KINDER, LOUISIANA  
Balance Sheet-  
Governmental Funds  
June 30, 2011

		<u>Special Revenue</u>	
	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Gaming Fund</u>
<b>ASSETS</b>			
Cash	\$ 395,770	\$ 1,758,601	\$ 507,562
Receivables:			
Taxes	-	104,477	-
Gaming	-	-	89,698
Interest	57	942	324
Accounts	-	-	-
Other	50,924	-	-
Due from other governments	6,730	-	-
Restricted assets:			
Cash	<u>74,306</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>\$ 527,787</u>	<u>\$ 1,864,020</u>	<u>\$ 597,584</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 89,148	\$ -	\$ -
<b>TOTAL LIABILITIES</b>	<u>89,148</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted	-	1,864,020	597,584
Committed	-	-	-
Unassigned	<u>438,639</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>438,639</u>	<u>1,864,020</u>	<u>597,584</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 527,787</u>	<u>\$ 1,864,020</u>	<u>\$ 597,584</u>

The accompanying notes are an integral part of these financial statements.

<u>Capital Projects</u>		
<u>Waste Water Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
\$ 6,368	\$ 302,745	\$ 2,971,046
-	-	104,477
-	-	89,698
-	298	1,621
-	-	-
-	-	50,924
416,252	-	422,982
-	-	74,306
<u>\$ 422,620</u>	<u>\$ 303,043</u>	<u>\$ 3,715,054</u>
<u>\$ 416,252</u>	<u>\$ -</u>	<u>\$ 505,400</u>
<u>416,252</u>	<u>-</u>	<u>505,400</u>
-	302,600	2,764,204
6,368	443	6,811
-	-	438,639
<u>6,368</u>	<u>303,043</u>	<u>3,209,654</u>
<u>\$ 6,368</u>	<u>\$ 303,043</u>	<u>\$ 3,715,054</u>

**TOWN OF KINDER, LOUISIANA**  
**Reconciliation of the Balance Sheet – Governmental Funds**  
**to the Statement of Net Assets**  
**June 30, 2011**

Total fund balance for governmental funds at June 30, 2011: \$ 3,209,654

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 433,968	
Construction in progress	5,860,154	
Capital assets, net of \$2,152,885 accumulated depreciation	<u>4,588,613</u>	10,882,735

Long-term liabilities, and accrued interest thereon, are not due and payable in the current period and, therefore, are not reported in the governmental funds:

Long-term liabilities at June 30, 2011:

Certificates of indebtedness payable	(705,000)	
Bonds payable	(4,072,000)	
Capital lease obligations payable	(8,365)	
Accrued interest payable	(51,166)	
Compensated absences payable	<u>(25,399)</u>	<u>(4,861,930)</u>

Total net assets of governmental activities at June 30, 2011 \$ 9,230,459

The accompanying notes are an integral part of these financial statements.



TOWN OF KINDER, LOUISIANA  
Statement of Revenues, Expenditures  
and Changes in Fund Balances -  
Governmental Funds  
Year Ended June 30, 2011

		<u>Special Revenue</u>	
	<u>General Fund</u>	<u>Sales Tax Fund</u>	<u>Gaming Fund</u>
REVENUES			
Taxes	\$ 280,943	\$ 592,770	\$ -
Licenses and permits	134,436	-	-
Intergovernmental	68,459	-	-
Fines	246,749	-	-
Special assessments	-	-	-
Interest	6,963	35,040	13,957
Miscellaneous	120,045	-	-
Gaming	-	-	179,834
TOTAL REVENUES	<u>857,595</u>	<u>627,810</u>	<u>193,791</u>
EXPENDITURES			
General government	537,839	5,885	-
Public safety:			
Police	1,057,402	-	-
Streets	186,779	-	-
Section 8 housing	-	-	-
Capital outlay	97,143	85,771	-
Debt service:			
Principal retirement	15,302	-	-
Interest	924	-	-
TOTAL EXPENDITURES	<u>1,895,389</u>	<u>91,656</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,037,794)</u>	<u>536,154</u>	<u>193,791</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers	984,793	(292,363)	(164,075)
Bond Anticipation Note proceeds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>984,793</u>	<u>(292,363)</u>	<u>(164,075)</u>
NET CHANGES IN FUND BALANCES	<u>(53,001)</u>	<u>243,791</u>	<u>29,716</u>
Fund Balances, Beginning	<u>491,640</u>	<u>1,620,229</u>	<u>567,868</u>
Fund Balances, Ending	<u>\$ 438,639</u>	<u>\$ 1,864,020</u>	<u>\$ 597,584</u>

The accompanying notes are an integral part of these financial statements.

Capital Projects

<u>Wastewater Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
\$ -	\$ -	\$ 873,713
-	-	134,436
1,065,215	376,846	1,510,520
-	-	246,749
-	9,577	9,577
141	2,727	58,828
-	-	120,045
-	-	179,834
<u>1,065,356</u>	<u>389,150</u>	<u>3,133,702</u>
-	2,800	546,524
-	-	1,057,402
-	-	186,779
-	-	361,777
4,415,356	361,777	4,598,270
3,422,118	144,000	3,581,420
-	33,637	34,561
<u>7,837,474</u>	<u>542,214</u>	<u>10,366,733</u>
<u>(6,772,118)</u>	<u>(153,064)</u>	<u>(7,233,031)</u>
-	153,729	682,084
<u>6,798,108</u>	<u>-</u>	<u>6,798,108</u>
<u>6,798,108</u>	<u>153,729</u>	<u>7,480,192</u>
25,990	665	247,161
<u>(19,622)</u>	<u>302,378</u>	<u>2,962,493</u>
<u>\$ 6,368</u>	<u>\$ 303,043</u>	<u>\$ 3,209,654</u>

**TOWN OF KINDER, LOUISIANA**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances-Governmental Funds to the Statement of Activities**  
**Year Ended June 30, 2011**

Total net changes in fund balances at June 30, 2011 per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 247,161
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlay which is considered expenditures on Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 4,598,270
Basis in assets disposed of during year ended June 30, 2011	(60,157)
Depreciation expense for the year ended June 30, 2011	(219,918)
	4,318,195

Governmental funds report bond repayments and capital lease principal payments as expenditures. However, this expenditure does not appear in the statement of activities since the payment is applied against the liability on the statement of net assets	3,581,420
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Governmental funds report bond proceeds as revenues. However, this revenue does not appear in the statement of activities since the debt is reported on the statement of net assets	(6,798,108)
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Difference between interest on long-term debt on modified accrual basis versus interest on long-term debt on accrual basis	(42,192)
--	----------

Governmental funds do not report compensated absences as expenditures. However, this payable does appear in the Statement of Net Assets and the expense is reported on the Statement of Activities	6,380
	6,380

Total changes in net assets at June 30, 2011 per Statement of Activities	\$ <u>1,312,856</u>
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The accompanying notes are an integral part of these financial statements.

**TOWN OF KINDER, LOUISIANA**  
**Statement of Net Assets-Proprietary Funds**  
**June 30, 2011**

	<b>Business-Type Activities</b>		
	<b>Water and Sewer Fund</b>	<b>Gas Fund</b>	<b>Totals</b>
<b>ASSETS</b>			
Current assets			
Cash	\$ 282,084	\$ 61,966	\$ 324,050
Receivables:			
Account	<u>81,783</u>	<u>95,105</u>	<u>176,888</u>
Total current assets	<u>343,867</u>	<u>157,071</u>	<u>500,938</u>
Restricted assets			
Customer deposits			
Cash	251,647	-	251,647
Investments	14,766	29,980	44,746
Accrued interest receivable	<u>15</u>	<u>30</u>	<u>45</u>
Total restricted assets	<u>266,428</u>	<u>30,010</u>	<u>296,438</u>
Capital assets:			
Land	15,300	-	15,300
Capital assets, net	<u>2,112,495</u>	<u>235,880</u>	<u>2,348,375</u>
Total capital assets	<u>2,127,795</u>	<u>235,880</u>	<u>2,363,675</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,738,090</u></b>	<b><u>\$ 422,961</u></b>	<b><u>\$ 3,161,051</u></b>
<b>LIABILITIES</b>			
Accounts payable	\$ 40,843	\$ 40,137	\$ 80,980
Customer meter deposits	<u>58,820</u>	<u>101,039</u>	<u>159,859</u>
Total liabilities	<u>99,663</u>	<u>141,176</u>	<u>240,839</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,127,795	235,880	2,363,675
Unrestricted	<u>510,632</u>	<u>45,905</u>	<u>556,537</u>
Total net assets	<b><u>\$ 2,638,427</u></b>	<b><u>\$ 281,785</u></b>	<b><u>\$ 2,920,212</u></b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF KINDER, LOUISIANA**  
**Statement of Revenues, Expenses**  
**and Changes in Net Assets -Proprietary Funds**  
**Year Ended June 30, 2011**

	<u>Business-Type Activities</u>		
	<u>Water &amp; Sewer Fund</u>	<u>Gas Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 868,960	\$ 759,962	\$ 1,628,922
Miscellaneous	<u>29</u>	<u>1,873</u>	<u>1,902</u>
Total Operating Revenues	<u>868,989</u>	<u>761,835</u>	<u>1,630,824</u>
<b>OPERATING EXPENSES</b>			
Advertising	296	-	296
Audit fees	3,000	3,000	6,000
Contract labor	5,560	24,234	29,794
Depreciation	277,103	20,824	297,927
Dues	280	956	1,236
Engineering fees	13,934	1,620	15,554
Insurance	14,929	14,858	29,787
Materials and supplies	34,103	41,680	75,783
Miscellaneous	7,191	3,003	10,194
Office supplies	6,780	2,320	9,100
Salaries	36,467	73,280	109,747
Payroll taxes	3,179	5,045	8,224
Professional services	28,212	-	28,212
Retirement	400	2,916	3,316
Repairs and maintenance	16,055	11,033	27,088
Travel	2,679	3,006	5,685
Utilities	43,100	1,108	44,208
Water and gas purchases	<u>139,473</u>	<u>434,242</u>	<u>573,715</u>
Total Operating Expenses	<u>632,741</u>	<u>643,125</u>	<u>1,275,866</u>
<b>OPERATING INCOME (LOSS)</b>	<b>236,248</b>	<b>118,710</b>	<b>354,958</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Bad debt (expense) recovery	7,548	(3,953)	3,595
Interest income	<u>1,049</u>	<u>818</u>	<u>1,867</u>
Total Non-Operating Revenues (Expenses)	<u>8,597</u>	<u>(3,135)</u>	<u>5,462</u>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS</b>	<b>244,845</b>	<b>115,575</b>	<b>360,420</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers	<u>(497,797)</u>	<u>(184,287)</u>	<u>(682,084)</u>
<b>CHANGES IN NET ASSETS</b>	<b>(252,952)</b>	<b>(68,712)</b>	<b>(321,664)</b>
<b>NET ASSETS, BEGINNING</b>	<b><u>2,891,379</u></b>	<b><u>350,497</u></b>	<b><u>3,241,876</u></b>
<b>NET ASSETS, ENDING</b>	<b><u>\$ 2,638,427</u></b>	<b><u>\$ 281,785</u></b>	<b><u>\$ 2,920,212</u></b>

The accompanying notes are an integral part of these financial statements.

TOWN OF KINDER, LOUISIANA  
Statement of Cash Flows --  
Proprietary Funds  
Year Ended June 30, 2011

	Business-Type Activities		
	Water & Sewer Fund	Gas Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 859,988	\$ 753,481	\$ 1,613,469
Payments to suppliers	(307,962)	(534,535)	(842,497)
Payments to employees	(40,046)	(81,241)	(121,287)
Net cash from operating activities	<u>511,980</u>	<u>137,705</u>	<u>649,685</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Net proceeds (purchase) of investments	(334)	(680)	(1,014)
Interest earnings	<u>1,049</u>	<u>818</u>	<u>1,867</u>
Net cash from investing activities	<u>715</u>	<u>138</u>	<u>853</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Bad debt (expense) recovery	7,548	(3,953)	3,595
Purchase of fixed assets	(9,150)	(34,050)	(43,200)
Net cash from capital activities	<u>(1,602)</u>	<u>(38,003)</u>	<u>(39,605)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Operating transfers out	(497,797)	(184,287)	(682,084)
Net cash from non-capital financing activities	<u>(497,797)</u>	<u>(184,287)</u>	<u>(682,084)</u>
 <b>NET INCREASE (DECREASE) IN CASH</b>	 13,296	 (84,447)	 (71,151)
<b>CASH - BEGINNING</b>	<u>500,435</u>	<u>146,413</u>	<u>646,848</u>
<b>CASH - ENDING</b>	<u>\$ 513,731</u>	<u>\$ 61,966</u>	<u>\$ 575,697</u>
 <b>Reconciliation of operating income (loss) to net cash from operating activities:</b>			
Operating income (loss)	\$ 236,248	\$ 118,710	\$ 354,958
Adjustment to reconcile net income (loss) to net cash provided (used) by operating activities:			
Depreciation	277,103	20,824	297,927
Basis in assets disposed	1,993	-	1,993
(Increase) decrease in receivables	(13,939)	(9,910)	(23,849)
(Increase) decrease in accrued interest receivable	-	2	2
Increase (decrease) in accounts payable	5,697	6,525	12,222
Increase (decrease) in customer deposits	4,878	1,554	6,432
Net cash from operating activities	<u>\$ 511,980</u>	<u>\$ 137,705</u>	<u>\$ 649,685</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF KINDER, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Kinder, Louisiana, was created under the provisions of the Lawrason Act. The purpose of the Town is to provide services to its citizens, which include sewer, water and gas utilities; police protection and other services. The Town has a board of five elected council members who are compensated. The Town is located in Allen Parish, Louisiana and its population is approximately 2,500. There are approximately 30 employees working for the Town.

**1. Reporting Entity**

As the municipal governing authority, for reporting purposes, the Town of Kinder, Louisiana is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Town of Kinder, LA. for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body, and
  - a. The ability of the municipality to impose its will on that organization, and/or
  - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

As required by accounting principles generally accepted in the United States of America, these financial statements present the Town of Kinder, LA (the primary government) and its component units. By applying the above requirements, the Town has no component units.

**2. Basis of Presentation**

The accompanying basic financial statements of the Town of Kinder, LA. have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", issued in June 1999.

TOWN OF KINDER, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
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**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Town as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for each of the functions of the Town's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of services offered by the Town, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements**

The Town uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Town functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The various funds of the Town are classified into three categories: governmental and proprietary. The emphasis of fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Town or if the total assets, liabilities, revenues, or expenditures of the individual governmental or enterprise fund is at least 10 percent of the corresponding total for all governmental and enterprise funds of that category or type; and total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The Town reports the following major funds:

*The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.*

*The Sales Tax Fund is used to account for the receipt and use of proceeds of the Town's restricted sales and use taxes.*

*The Gaming Revenue Fund is used to account for the receipt and expenditure of funds in accordance with the compact agreement with the Coushatta Tribe of Louisiana.*

*The Section 8 Housing Fund is used to account for the receipts and expenditures of federal financial assistance for low-income housing.*

*The Wastewater Construction Fund is used to account for financial resources to be used for the renovation of the Town's wastewater collection system.*

*The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town's enterprise funds account for water, sewer, and gas services.*



TOWN OF KINDER, LOUISIANA  
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**3. Measurement Focus/Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide statement of net assets and statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balances as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net assets.

**Basis of Accounting**

In the government-wide statement of net assets and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. The Town applies all applicable FASB pronouncements in accounting and reporting for its proprietary fund.

**4. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, and enterprise funds. All annual appropriations lapse at fiscal year end.

Prior to the beginning of each fiscal year, the Mayor submits a budget to the Town Council. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

TOWN OF KINDER, LOUISIANA  
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The Town Council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated or the revenue estimates must be changed by an affirmative vote of a majority of the government's council.

Expenditures may not legally exceed budgeted appropriations at the activity level.

The original budget and one amendment during the year is reflected in the budget comparisons.

5. Deposits and Investments

Deposits

Deposits include amounts in demand deposits, interest-bearing demand deposits, and time deposits as well as those investments with a maturity date of 90 days or less.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, U.S. government agencies, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana, as stipulated in R.S. 39:1271, or any other federally insured investment. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana. LAMP generates a local government investment pool.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2011, the Town has \$4,121,898 in deposits (collected bank balances). These deposits are secured from risk by \$751,000 of federal deposit insurance and \$3,370,898 of pledged securities held by the custodial banks in the name of the fiscal agent banks.

Investments

The Town's investments are categorized above in accordance with GASB Statement No. 3 to give an indication of the level of risk assumed at year end. The Town's investment program is limited to purchases of securities issued or guaranteed by the U.S. government and its agencies.

Carrying amounts at June 30, 2011 were as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Cost</u>
U.S. Treasury and agency obligations held by the Town or the Town's agent in the Town's name	<u>\$ 44,746</u>	<u>\$ 44,746</u>	<u>\$ 44,746</u>

TOWN OF KINDER, LOUISIANA  
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6. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet.

7. Accounts Receivable

Uncollectible amounts due for ad valorem taxes and other receivables of governmental funds are recognized as bad debts at the time information becomes available which would indicate that the particular receivable is not collectible.

There appears to be concentration of credit risk with regard to general accounts receivable and more specifically accounts receivable for gas, water and sewer user fees in the Enterprise Funds. The Town's ability to collect the amounts due from the users of the Town gas, water and sewer system and others (as reflected on the financial statements) may be affected by significant economic fluctuations, natural disaster or other calamity in this one concentrated geographic location.

8. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by asset type is as follows:

Buildings	10-50 years
Equipment and furniture	3-40 years
Sewerage plant and improvements	20-66 years
Infrastructure	25-50 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

9. Statement of Cash Flows

For the purpose of the statement of cash flows, for the enterprise funds, the Town considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. The statement reflects ending cash and cash equivalents of \$575,697 which represents unrestricted and restricted amounts of \$324,050 and \$251,647, respectively.

TOWN OF KINDER, LOUISIANA  
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**10. Compensated Absences**

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as long-term liabilities. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement.

The Town has the following policy relating to vacation and sick leave:

Employees of the Town receive 80 hours to 200 hours vacation leave each year, depending on their length of service. Unused vacation leave of one year can be accumulated. Upon termination, the employee is entitled to any unused vacation leave. In addition, employees may accumulate up to 240 hours sick leave. Only employees retiring at or after age 65 are entitled to any unused sick leave.

At June 30, 2011, employees of the Town have accumulated \$25,399 in leave privileges, computed in accordance with GASB Statement No. 16.

**11. Long-Term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds and capital lease payables.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

**12. Equity Classification**

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Committed net assets – Consists of net assets with constraints placed on the use by the governing body.
- d. Unassigned net assets – Consists of all other net assets that do not meet the definition of a, b, or c above.

TOWN OF KINDER, LOUISIANA  
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In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as committed and unassigned. Proprietary fund equity is classified the same as in the government-wide statements.

13. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

14. Sales Taxes

1 % Sales Tax

Proceeds of a 1% sales and use tax levied by the Town are dedicated to the following purposes:

1. 75% to be used for capital improvements.
2. 25% to be used for repairs and maintenance.

The tax expires on June 30, 2023.

.3% Sales Tax

Proceeds of a .3% sales and use tax levied by the Town are dedicated to following purposes:

1. 75% to be used for operating and maintaining the Town's sewerage system.
2. 25% to be used for operating and maintaining the Town's library.

The tax expires on December 31, 2017.

15. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

16. Revenues, Expenditures, and Expenses

Program Revenues

Program revenues included in the statement of activities are derived directly from the program itself or from parties outside the Town's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Town's general revenues.

TOWN OF KINDER, LOUISIANA  
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**Revenues**

Ad valorem taxes and the related state revenue sharing are recorded in the year taxes are due and payable. Ad valorem taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on December 31. The taxes are generally collected in December, January and February of the fiscal year. Sales taxes are considered as "measurable" when in the hands of sales tax collector and are recognized as revenue at that time. Interest on interest-bearing deposits is recorded or accrued as revenues when earned. Substantially all other revenues are recorded when received.

**Expenditures**

The Town primary expenditures include salaries and insurance, which are recorded when the liability is incurred. Capital expenditures and purchases of various operating supplies are regarded as expenditures at the time purchased.

**Other Financing Sources**

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses) when the transfer is authorized by the Town.

**17. Environmental Remediation Costs**

The Town of Kinder, Louisiana accrues for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study. Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

**18. Subsequent Events**

Management has evaluated subsequent events through December 5, 2011, the date the financial statements were issued.

**NOTE B - PROPERTY TAXES**

For the year ended June 30, 2011 taxes of 14.64 mills were levied on property with assessed valuations totaling \$9,452,550 and were dedicated as follows:

General corporate purposes	14.64 mills
----------------------------	-------------

Total taxes levied were \$138,386.

Property tax millage rates are adopted in July for the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31st. Property taxes not paid by the end of February are subject to lien.

TOWN OF KINDER, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

NOTE C - RECEIVABLES

The following is a summary of receivables for June 30, 2011:

<u>Class of Receivable:</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Taxes:		
Sales and use	\$ 104,477	\$ -
Intergovernmental	422,982	-
Interest	1,621	45
Gaming	89,698	-
Charges for services	-	176,888
Other	50,924	-
Other funds	-	-
Total	<u>\$ 669,702</u>	<u>\$ 176,933</u>

Uncollectible amounts due for ad valorem taxes and other receivables are recognized as bad debts at the time information becomes available which would indicate that the particular receivable is not collectible. This method does not result in a charge to bad debts that is materially different from the amount that would be charged if the reserve method were used.

TOWN OF KINDER, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**Note D – CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2011 follows:

	Beginning of Year	Additions	Deletions	End of Year
<b>Governmental activities:</b>				
Land	\$ 460,848	\$ 26,381	\$ 53,261	\$ 433,968
Buildings	2,584,006	-	-	2,584,006
Equipment and furniture	1,038,315	112,769	106,301	1,044,783
Infrastructure	3,088,324	24,385	-	3,112,709
Construction in progress	<u>1,425,418</u>	<u>4,434,736</u>	<u>-</u>	<u>5,860,154</u>
Totals at historical cost	8,596,911	4,598,271	159,562	13,035,620
<b>Less accumulated depreciation for:</b>				
Buildings	548,672	60,802	-	609,474
Equipment and furniture	729,120	86,678	99,403	716,395
Infrastructure	<u>754,578</u>	<u>72,438</u>	<u>-</u>	<u>827,016</u>
Total accumulated depreciation	<u>2,032,370</u>	<u>219,918</u>	<u>99,403</u>	<u>2,152,885</u>
<b>Governmental activities Capital Assets, Net</b>	<b><u>\$ 6,564,541</u></b>	<b><u>\$ 4,378,353</u></b>	<b><u>\$ 60,159</u></b>	<b><u>\$ 10,882,735</u></b>
<b>Business-Type Activities:</b>				
Land	\$ 15,300	\$ -	\$ -	\$ 15,300
Water & sewage system	6,470,266	9,150	16,249	6,463,167
Gas system	<u>620,942</u>	<u>34,050</u>	<u>-</u>	<u>654,992</u>
Totals at historical cost	7,106,508	43,200	16,249	7,133,459
<b>Less accumulated depreciation for:</b>				
Water & sewage system	4,087,825	277,103	14,256	4,350,672
Gas system	<u>398,288</u>	<u>20,824</u>	<u>-</u>	<u>419,112</u>
Total accumulated depreciation	<u>4,486,113</u>	<u>297,927</u>	<u>14,256</u>	<u>4,769,784</u>
<b>Business-type activities Capital Assets, net</b>	<b><u>\$ 2,620,395</u></b>	<b><u>\$ (254,727)</u></b>	<b><u>\$ 1,993</u></b>	<b><u>\$ 2,363,675</u></b>

Depreciation expense for the year ended June 30, 2011 was \$219,918 and \$297,927 for the Governmental Activities and the Business Type Activities, respectively.

Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 78,041
Streets	88,911
Police	<u>52,966</u>
	<u>\$ 219,918</u>



TOWN OF KINDER, LOUISIANA  
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The construction in progress consists of the following projects:

	<u>Construction In Progress</u>	<u>Total Budgeted</u>	<u>Estimated Completion Date</u>
Wastewater System Improvements	\$ 5,860,774	\$7 million	December, 2011
13 <sup>th</sup> Street Sidewalk Improvements	\$ 19,380	152,000	January, 2012

The wastewater system improvement project is a long-range project that is mandated by EPA requirements.

**NOTE E - ACCOUNTS PAYABLES**

The following is a summary of payables at June 30, 2011:

<u>Class of Payable:</u>	<u>Governmental Activities Funds</u>	<u>Business Activities Funds</u>
Accounts	\$ 500,400	\$ 80,980

**NOTE F - PENSION PLAN**

All employees of the Town are members of the Federal Social Security System.

Police officers of the Town are eligible to participate Municipal Police Employees Retirement System of Louisiana. This system is a cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to the plan follows:

**Municipal Police Employees Retirement System of Louisiana (System)**

*Plan Description.* All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

*Funding Policy.* Plan members are required by state statute to contribute 7.5% of their annual covered salary and the Town is required to contribute at an actuarially determined rate. The required rate is 25% of annual covered payroll. The contribution requirements of plan members and the Town are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Town contributions to the System for the year ending June 30, 2011, 2010, and 2009 were \$53,863, \$23,630, and \$19,306, respectively. These amounts are equal to the required contributions for each year.

TOWN OF KINDER, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS

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NOTE G - LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2011 follows:

	Beginning of Year	Issued	Retired	End of Year
Governmental Activities:				
Bonds Payable	\$ 1,545,010	\$ 6,798,108	\$(3,566,118)	\$ 4,777,000
Other Liabilities:				
Accrued Leave Benefits	31,779	-	(6,380)	25,399
Capital Lease Obligations	23,668	-	(15,303)	8,365
	55,447	-	(21,683)	33,764
Governmental Activities Long-Term Liabilities	\$ 1,600,457	\$ 6,798,108	\$(3,587,801)	\$ 4,810,764

The Town entered into a \$4,030,000 permanent financing and \$2,072,000 grant agreement with the United States Department of Agriculture – Rural Development (USDA) to permanently fund the sewer collection system renovation project. The Town utilized interim construction financing in the form of bond anticipation notes payable to Sabine State Bank & Trust Company in the amount of \$2,818,118 and to Louisiana Public Facilities Authority in the amount of \$604,000. As of June 30, 2011, these bond anticipation notes were paid off by proceeds from the USDA sewer revenue bonds.

Under the agreement with the USDA, the Town will provide for at least an annual reserve payment equal to one-tenth of an average annual loan installment, with payments made monthly and evenly divided between a reserve fund and a depreciation and contingency fund, until an amount equal to the highest annual debt service payment in a future year is accumulated in the reserve fund. Thereafter, all payments are to be made into the depreciation and contingency fund.

The payments on the sewer revenue bonds will be paid out of the sewer fund which was segregated from the water and sewer fund on July 1, 2011. The payments on the refunding bonds payable are made by the debt service funds. The certificate and indebtedness and accrued leave benefits liabilities will be paid by the General Fund. The capital lease obligations liability will be paid by the General Fund. Refunding bonds, sewer revenue bonds and certificates of indebtedness are comprised of the following individual issues:

Refunding Bonds Payable:

\$278,000 Refunding bonds dated 7/28/2005, due in annual installments of \$40,610-\$46,966 through June 28, 2012, interest at 4.07% \$ 42,000

Certificates of Indebtedness Payable:

\$1,200,000 Certificate of indebtedness dated 11/01/05 due in installments of \$76,244-\$132,476 through April 1, 2017, interest at 6.66% 705,000

Sewer Revenue Bonds Payable:

\$4,030,000 Sewer revenue bonds dated 03/29/2011 due in an initial payment of \$170,799 on 03/28/2012 and then monthly installments of \$17,651 from 04/28/2012 through 03/28/2051; interest of 4.25% (secured by sewer revenues) 4,030,000

Capital Leases Payable:

\$54,604 Capital lease payable dated 03/14/07, due in monthly installments of \$1,023 through February 14, 2012; interest at 4.9% (secured by Case backhoe) 8,039

**TOWN OF KINDER, LOUISIANA**  
**NOTES TO FINANCIAL STATEMENTS**  
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\$10,280 Capital lease payable dated 7/25/2009, due in monthly installments of \$329 through July 25, 2011; interest at 9.43% (secured by a Cannon copier)

\$ 326

Accrued Leave Payable

25,399

Total

\$ 4,810,764

The annual requirements to amortize all bonds, certificates of indebtedness, and capital leases outstanding at June 30, 2011, except for the bond anticipation notes are as follows:

<u>Fiscal Year Ending</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Totals</u>
2012	\$ 190,935	\$ 242,063	\$ 432,998
2013	151,782	192,895	344,677
2014	158,592	186,893	345,485
2015	165,481	180,623	346,104
2016	172,453	174,080	346,533
2017-2021	399,952	794,085	1,194,037
2022-2026	333,743	725,341	1,059,084
2027-2031	412,607	646,477	1,059,084
2032-2036	510,106	548,978	1,059,084
2037-2041	630,647	428,438	1,059,085
2042-2046	779,668	279,416	1,059,084
2047-2051	<u>904,798</u>	<u>95,429</u>	<u>1,000,227</u>
Totals	<u>\$ 4,810,764</u>	<u>\$ 4,494,718</u>	<u>\$ 9,305,482</u>

In accordance with R.S. 39:562, the Town is legally restricted from incurring long-term bonded debt (payable solely from ad valorem taxes) in excess of 35% of the assessed value of taxable property in the Town. At June 30, 2011 the statutory limit is \$3,308,392.

**NOTE H - COMPONENTS OF RESTRICTED ASSETS**

	On Deposit	Required	Over (Under)
Restricted assets consisted of the following at June 30, 2011:			
Sewer revenue bond sinking account	\$ -	\$ 42,825	\$ (42,825)
Sewer revenue bond reserve account	500	-	500
Sewer revenue bond depreciation and contingency account	500	-	500
Customer deposits - gas and water and sewer	<u>296,438</u>	<u>159,859</u>	<u>135,579</u>
Total restricted assets - proprietary funds	<u>\$ 296,438</u>	<u>\$ 202,684</u>	<u>\$ 93,754</u>

The \$74,306 in general fund restricted assets was restricted to certain law enforcement expenses.

The sewer revenue bond sinking account is used to segregate resources accumulated for debt service payments over the next twelve months. On July 15, 2011, the \$42,825 was funded into the sinking fund in accordance with bond sinking requirements.

**NOTE I - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

TOWN OF KINDER, LOUISIANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

**NOTE J - INTEREST CAPITALIZED CAPITAL PROJECT FUND**

The amount of interest incurred and capitalized for the year ended June 30, 2011 was \$9,609.

**NOTE K- CONTINGENCIES**

The Town participates in a number of federal and state grant programs that are either partially or fully funded by grants received from other governmental units. Such grants are subject to audit by the grantor agencies which could result in requests for reimbursement to the granting agency for expenditures that are disallowed under the terms of the grant. Based on past experience, the Town believes that any disallowed costs as a result of such audits will be immaterial.

**NOTE L - TRIBAL STATE COMPACT COMPLIANCE**

The operating transfers out of the gaming fund to the other funds were used entirely for reimbursement of capital outlays of \$86,736 and police salaries of \$77,339.

**NOTE M - LOCAL SERVICES AGREEMENT**

On September 8, 1997 the Town entered into a local services agreement with the Allen Parish Libraries Board of Control, a subdivision of the Allen Parish Police Jury. The purpose was to construct a building in the Town to be used as a public library. The Town agreed to purchase land for the building, construct a building, be responsible for certain repairs, insure the building against loss, provide liability insurance and borrow money to accomplish the purposes of the agreement.

Any deficits will be eliminated by future general fund operating transfers.

**NOTE N - DEFERRED COMPENSATION PLAN**

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full time employees which have been employed by the Town for 12 consecutive months, permits them to defer a portion of their salaries until future years. The Town will match one-hundred percent (100%) of the employee's contribution to a maximum of five percent (5%) of the employee's salary, not to include compensatory time or expense reimbursement. The deferred compensation is not available to employees until termination, retirement, or unforeseeable emergency. Deferred compensation is available to employees' beneficiaries in case of death.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Town (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Town's general creditors. Participants' rights under the plan are equal to those of general creditors of the Town in an amount equal to the fair market value of the deferred account for each participant.

In management's opinion, the Town has no liability for losses under the plan. However, the Town does have the duty of due care that would be required of an ordinary prudent investor. The Town believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

## REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF KINDER, LOUISIANA  
General Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2011

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes				
Ad valorem	\$ 150,000	\$ 140,000	\$ 137,707	\$ (2,293)
Public utility franchise	125,000	130,000	143,236	13,236
Licenses and permits				
Licenses	80,000	70,000	130,833	60,833
Permits	4,200	3,642	3,603	(39)
Intergovernmental				
Beer tax	10,000	9,704	8,959	(745)
Grant	10,000	10,000	59,500	49,500
Fines				
Court fines	262,250	262,250	218,902	(43,348)
Police special	25,000	25,000	23,026	(1,974)
Drivers licenses	4,000	2,800	3,696	896
DWI	1,000	1,000	1,125	125
Interest	15,000	45	6,963	6,918
Other:				
Miscellaneous	56,600	37,556	120,045	82,489
Total Revenues	<u>743,050</u>	<u>691,997</u>	<u>857,595</u>	<u>165,598</u>
<b>EXPENDITURES</b>				
General and administrative	524,850	530,084	537,839	(7,755)
Street department	183,770	163,885	186,779	(22,894)
Police department	1,037,750	1,037,750	1,057,402	(19,652)
Capital outlay	50,000	44,260	97,143	(52,883)
Debt Service				
Principal retirement	12,300	12,300	15,302	(3,002)
Interest	-	-	924	(924)
Total Expenditures	<u>1,808,670</u>	<u>1,788,279</u>	<u>1,895,389</u>	<u>(107,110)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,065,620)</u>	<u>(1,096,282)</u>	<u>(1,037,794)</u>	<u>58,488</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers	-	-	984,793	984,793
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>984,793</u>	<u>984,793</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>(1,065,620)</u>	<u>(1,096,282)</u>	<u>(53,001)</u>	<u>1,043,281</u>
<b>FUND BALANCE, BEGINNING</b>	<u>491,640</u>	<u>491,640</u>	<u>491,640</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ (573,980)</u>	<u>\$ (604,642)</u>	<u>\$ 438,639</u>	<u>\$ 1,043,281</u>

TOWN OF KINDER, LOUISIANA  
General Fund  
Departmental Expenditures -  
Budgetary Comparison Schedule  
Year Ended June 30, 2011

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
GENERAL AND ADMINISTRATIVE				
Advertising - notices	\$ 6,000	\$ 2,000	\$ 2,919	\$ (919)
Audit fees	15,000	20,352	20,352	-
Auto allowance	1,000	-	-	-
Court cost	6,000	-	-	-
Dues	1,000	1,200	1,439	(239)
Gas and oil	-	-	1,798	(1,798)
Equipment rental	6,400	3,950	-	3,950
Engineer fees	5,000	6,000	5,973	27
Insurance	142,150	144,653	146,773	(2,120)
Material and supplies	5,000	7,900	7,925	(25)
Miscellaneous	20,500	24,314	5,821	18,493
Office	5,000	4,500	7,016	(2,516)
Payroll tax	14,900	13,605	13,494	111
Per diem	4,000	4,170	3,125	1,045
Postage	850	850	635	215
Professional services	5,000	6,000	9,571	(3,571)
Repairs and maintenance	21,850	21,430	57,628	(36,198)
Retirement	7,000	6,000	5,407	593
Salaries	210,000	220,000	202,782	17,218
Telephone	8,000	7,950	7,593	357
Travel	13,500	12,800	11,370	1,430
Uniforms	6,000	4,500	5,045	(545)
Utilities	20,700	17,910	21,173	(3,263)
TOTAL GENERAL AND ADMINISTRATIVE	<u>\$ 524,850</u>	<u>\$ 530,084</u>	<u>\$ 537,839</u>	<u>\$ (7,755)</u>
STREET DEPARTMENT				
Contract labor	\$ 16,000	\$ 16,300	\$ 18,944	\$ (2,644)
Food for prisoners	6,000	5,350	6,000	(650)
Gas and oil	12,000	12,200	13,553	(1,353)
Insurance	11,560	11,565	11,628	(63)
Materials and supplies	15,000	14,000	19,994	(5,994)
Miscellaneous	3,000	2,000	2,290	(290)
Payroll taxes	4,110	4,310	4,200	110
Recycling	-	-	2,160	(2,160)
Repairs and maintenance	24,500	11,660	14,920	(3,260)
Salaries	54,000	52,000	54,427	(2,427)
Street lights	36,400	33,300	37,099	(3,799)
Utilities	1,200	1,200	1,564	(364)
TOTAL STREET	<u>\$ 183,770</u>	<u>\$ 163,885</u>	<u>\$ 186,779</u>	<u>\$ (22,894)</u>

TOWN OF KINDER, LOUISIANA  
General Fund  
Departmental Expenditures –  
Budgetary Comparison Schedule  
Year Ended June 30, 2011

	<u>Budget</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
<b>POLICE</b>				
Auto allowance – dog catcher	\$ 1,500	\$ 1,500	\$ 1,300	\$ 200
Care of prisoners	7,000	7,000	8,302	(1,302)
Dues	800	800	120	680
Intergovernmental	-	-	5,102	(5,102)
Gas and oil	35,000	35,000	37,834	(2,834)
Insurance	123,900	123,900	138,138	(14,238)
Insurance-dispatchers	24,300	24,300	28,696	(4,396)
Materials & supplies	14,500	14,500	16,449	(1,949)
Miscellaneous	11,100	11,100	8,169	2,931
Office supplies	4,000	4,000	8,703	(4,703)
Payroll taxes	51,800	51,800	50,722	1,078
Postage	300	300	11	289
Professional services	1,000	1,000	2,528	(1,528)
Repairs and maintenance	20,800	20,800	16,056	4,744
Retirement	74,000	74,000	72,480	1,520
Salaries	618,000	618,000	613,033	4,967
Salaries-dog catcher	13,500	13,500	13,000	500
Telephone	20,000	20,000	19,370	630
Travel	1,250	1,250	582	668
Uniforms	5,000	5,000	4,897	103
Utilities	10,000	10,000	11,910	(1,910)
<b>TOTAL POLICE</b>	<u>\$ 1,037,750</u>	<u>\$ 1,037,750</u>	<u>\$ 1,057,402</u>	<u>\$ (19,652)</u>



TOWN OF KINDER, LOUISIANA  
Special Revenue Fund  
Sales Tax Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2011

	<u>Budget</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
<b>REVENUES</b>				
Sales taxes	\$ 584,000	\$ 580,030	\$ 607,149	\$ 27,119
Less: collection fees	-	-	(14,379)	(14,379)
Interest	<u>25,000</u>	<u>37,300</u>	<u>35,040</u>	<u>( 2,260)</u>
Total Revenues	<u>609,000</u>	<u>617,330</u>	<u>627,810</u>	<u>10,480</u>
<b>EXPENDITURES</b>				
Current:				
Material and supplies	500	100	43	57
Professional fees	1,000	500	500	-
Repairs & maintenance	4,500	2,028	5,342	(3,314)
Capital Outlays	-	<u>20,800</u>	<u>85,771</u>	<u>(64,971)</u>
Total Expenditures	<u>6,000</u>	<u>23,428</u>	<u>91,656</u>	<u>(68,228)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>603,000</u>	<u>593,902</u>	<u>536,154</u>	<u>(57,748)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers	-	-	(292,363)	(292,363)
Total Other Financing Sources (Uses)	-	-	<u>(292,363)</u>	<u>(292,363)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	603,000	593,902	243,791	(350,111)
FUND BALANCE, BEGINNING	<u>1,620,229</u>	<u>1,620,229</u>	<u>1,620,229</u>	-
FUND BALANCE, ENDING	<u>\$ 2,223,229</u>	<u>\$ 2,214,131</u>	<u>\$ 1,864,020</u>	<u>\$ (350,111)</u>

TOWN OF KINDER, LOUISIANA  
Special Revenue Fund  
Gaming Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2011

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Gaming	\$ 180,000	\$ 180,272	\$ 179,834	\$ (438)
Interest	12,000	11,400	13,957	2,557
Total Revenues	<u>192,000</u>	<u>191,672</u>	<u>193,791</u>	<u>2,119</u>
<b>EXPENDITURES</b>				
Administrative	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>192,000</u>	<u>191,672</u>	<u>193,791</u>	<u>2,119</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers	-	-	(164,075)	(164,075)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(164,075)</u>	<u>(164,075)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	192,000	191,672	29,716	(161,956)
<b>FUND BALANCE, BEGINNING</b>	<u>567,868</u>	<u>567,868</u>	<u>567,868</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 759,868</u>	<u>\$ 759,540</u>	<u>\$ 597,584</u>	<u>\$ (161,956)</u>

TOWN OF KINDER, LOUISIANA  
Special Revenue Fund  
Section 8 Housing Fund  
Budgetary Comparison Schedule  
Year Ended June 30, 2011

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 360,000	\$ 350,000	\$ 376,846	\$ 26,846
Interest	1,400	1,000	2,660	1,660
Total Revenues	<u>361,400</u>	<u>351,000</u>	<u>379,506</u>	<u>28,506</u>
<b>EXPENDITURES</b>				
Section 8 Housing	370,000	346,700	361,777	(15,077)
Miscellaneous	-	2,582	2,582	-
Total Expenditures	<u>370,000</u>	<u>349,282</u>	<u>364,359</u>	<u>(15,077)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(8,600)</u>	<u>1,718</u>	<u>15,147</u>	<u>13,429</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(8,600)</u>	<u>1,718</u>	<u>15,147</u>	<u>13,429</u>
FUND BALANCE, BEGINNING	<u>198,372</u>	<u>198,372</u>	<u>198,372</u>	<u>-</u>
FUND BALANCE, ENDING	<u>\$ 189,772</u>	<u>\$ 200,090</u>	<u>\$ 213,519</u>	<u>\$ 13,429</u>

## OTHER SUPPLEMENTARY INFORMATION

## NONMAJOR FUND DESCRIPTIONS

### Special Revenue Funds

Special revenue funds are used to account for special revenues that are legally restricted to expenditures for particular purposes.

#### Motor Vehicle Fund

To account for the receipt and expenditure of funds collected on transactions within the motor vehicle department.

#### Section 8 Housing Fund

To account for the receipts and expenditures of federal financial assistance for low-income housing.

### Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition and construction of the major capital facilities other than those financed by proprietary funds:

#### Streets/Drainage Construction Fund

To account for financial resources to be used for the construction of streets and drainage.

### Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, governmental long-term liabilities.

#### Sales Tax Sinking Fund

To account for the accumulation of resources for, and the payment of, a 1989 Sales Tax Refunding Bond.

TOWN OF KINDER, LOUISIANA  
Combining Balance Sheet-  
Nonmajor Governmental Funds  
June 30, 2011

	<u>Special Revenue</u>		<u>Capital Project</u>	<u>Debt Service</u>	<u>Nonmajor</u>
	<u>Motor</u>	<u>Section 8</u>	<u>Streets/Drainage</u>	<u>Sales Tax</u>	<u>Governmental</u>
	<u>Vehicle</u>	<u>Housing</u>	<u>Project</u>	<u>Sinking</u>	<u>Funds Total</u>
<b>ASSETS</b>					
Cash	\$ 9,051	\$ 213,221	\$ 443	\$ 80,030	\$ 302,745
Receivable Interest	-	298	-	-	298
<b>TOTAL ASSETS</b>	<u>9,051</u>	<u>213,519</u>	<u>443</u>	<u>80,030</u>	<u>303,043</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts payable	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>					
Restricted	9,051	213,519	-	80,030	302,600
Committed	-	-	443	-	443
Unassigned	-	-	-	-	-
<b>TOTAL FUND BALANCE</b>	<u>9,051</u>	<u>213,519</u>	<u>443</u>	<u>80,030</u>	<u>303,043</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 9,051</u>	<u>\$ 213,519</u>	<u>\$ 443</u>	<u>\$ 80,030</u>	<u>\$ 303,043</u>

**TOWN OF KINDER, LOUISIANA**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances -**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2011**

	<u>Special Revenue</u>		<u>Capital Project</u>	<u>Debt Service</u>	<u>Nonmajor</u>
	<u>Motor</u>	<u>Section 8</u>	<u>Streets/Drainage</u>	<u>Sales Tax</u>	<u>Governmental</u>
	<u>Vehicle</u>	<u>Housing</u>	<u>Project</u>	<u>Sinking</u>	<u>Funds Total</u>
<b>REVENUES</b>					
Special Assessments	\$ 9,577	\$ -	\$ -	\$ -	\$ 9,577
Intergovernmental	-	376,846	-	-	376,846
Interest	21	2,660	5	41	2,727
<b>TOTAL REVENUES</b>	<u>9,598</u>	<u>379,506</u>	<u>5</u>	<u>41</u>	<u>389,150</u>
<b>EXPENDITURES</b>					
General and Administrative	-	2,582	218	-	2,800
Section 8 Housing	-	361,777	-	-	361,777
Debt Service:					
Principal Retirement	-	-	100,000	44,000	144,000
Interest	-	-	30,671	2,966	33,637
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>364,359</u>	<u>130,889</u>	<u>46,966</u>	<u>542,214</u>
<b>EXCESS (DEFICIENCY) OF</b>					
REVENUES OVER EXPENDITURES	9,598	15,147	(130,884)	(46,925)	(153,064)
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers	(12,910)	-	131,000	35,639	153,729
<b>TOTAL OTHER FINANCING</b>					
<b>SOURCES (USES)</b>	<u>(12,910)</u>	<u>-</u>	<u>131,000</u>	<u>35,639</u>	<u>153,729</u>
<b>EXCESS (DEFICIENCY) OF</b>					
REVENUES AND OTHER					
SOURCES OVER EXPENDITURES	(3,312)	15,147	116	(11,286)	665
<b>Fund Balances, Beginning</b>	<u>12,363</u>	<u>198,372</u>	<u>327</u>	<u>91,316</u>	<u>302,378</u>
<b>Fund Balances, Ending</b>	<u>\$ 9,051</u>	<u>\$ 213,519</u>	<u>\$ 443</u>	<u>\$ 80,030</u>	<u>\$ 303,043</u>

TOWN OF KINDER, LOUISIANA  
Enterprise Fund  
Utility Funds  
(Unaudited)

Schedule of Number of Utility Customers

June 30, 2011

Records maintained by the Town indicate the following number of customers being served during the months of June 2011 and June, 2010, respectively:

<u>Department</u>	<u>2011</u>	<u>2010</u>
Gas (metered)	925	934
Water (metered)	1,063	1,056
Sewerage	1,047	1,035



TOWN OF KINDER, LOUISIANA  
Schedule of Insurance in Force  
(Unaudited)  
June 30, 2011

Description of Coverage	Coverage Amounts
<b>Workmen's Compensation:</b>	
Employer's liability - Bodily Injury by Disease Per Accident	\$ 100,000
- Bodily Injury by Disease Policy Limit	500,000
- Bodily Injury by Accident Per Employee	100,000
<b>Surety Bonds:</b>	
Town clerk	5,000
Police clerk	5,000
Clerks each	5,000
<b>General liability:</b>	
Town-	
Bodily Injury/Property Damage	500,000
Aggregate	500,000
Police-	
Personal Injury/Property Damage	500,000
Aggregate	500,000
Public official's error and omissions	500,000
<b>Fire, extended coverage, blanket policy:</b>	
Buildings	3,007,000
Contents	198,500
<b>Comprehensive liability and collision:</b>	
Collision	231,800
Specified Perils	90,000

**TOWN OF KINDER, LOUISIANA**  
**Schedule of Compensation Paid to Mayor and Council Members**  
**Year Ended June 30, 2011**

Doumitte, Susan	\$ 3,600
Fontenot, Claude	1,800
Keys, Lowell	1,800
LaFargue, Wayland	1,800
LeDoux, Estes - Mayor	30,870
Pelican, Bennie	1,800
Van Norman, Angela	3,600
Wykoff, Ferda	<u>3,600</u>
 Total Compensation Paid to Mayor and Council Members	 <u><b>\$ 48,870</b></u>

# TOWN OF KINDER, LOUISIANA

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Disbursements/Expenses</u>
U.S. Department of Agriculture Rural Utility Services - Grant	10.760	-	\$ 1,065,213
U.S. Department of Agriculture Rural Utility Services - Loan	10.760	-	4,030,000
U.S. Department of Housing and Urban Development Section 8 Housing - Grant	14.871	-	376,846
<u>Other Federal Awards:</u>			
U.S. Department of Justice/Pass-Through the State of Louisiana Department of Commission on Law Enforcement - Grant	-	B10-6-005	10,412
U.S. Department of Homeland Security Disaster Assistance Federal Emergency Management Assistance - Grant	97.067	-	<u>8,495</u>
TOTAL FEDERAL AWARDS			<u>\$ 5,490,966</u>

### NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Town of Kinder, Louisiana and is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-133, *Cost Principles of Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of the Town of Kinder, Louisiana, it is not intended to and does not present a financial position, changes in net assets, or cash flows of the Town of Kinder, Louisiana.

# ROYCE T. SCIMEML, CPA, APAC



## CERTIFIED PUBLIC ACCOUNTANT

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Member  
American Institute of  
Certified Public Accountants

Member  
Society of Louisiana  
Certified Public Accountants

### INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

December 5, 2011

The Honorable Estes LeDoux, Mayor  
and the Town Council  
Town of Kinder, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kinder, Louisiana, as of and for the year ended June 30, 2011, which collectively comprise the Town of Kinder, Louisiana's basic financial statements and have issued our report thereon dated December 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Kinder, LA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Kinder, LA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Kinder, LA's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified one deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as finding #2011-1 I/C, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Honorable Estes LeDoux, Mayor  
And the Town Council  
Town of Kinder, Louisiana  
December 5, 2011  
Page 2

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Town of Kinder, Louisiana's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard* and which are described in the accompanying schedule of findings and questioned costs as items 2011-1 C, and 2011-2 C.

The Town of Kinder, Louisiana's response to the findings identified in our audit are described in the accompanying managements corrective action plan to the current year audit findings and questioned costs. We did not audit the Town of Kinder, Louisiana's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Town Council, others within the entity, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor of the State of Louisiana as a public document.

Royce T. Scimemi, CPA, APAC

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# ROYCE T. SCIMEMI, CPA, APAC



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### INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

December 5, 2011

The Honorable Estes LeDoux, Mayor  
and the Town Council  
Town of Kinder, Louisiana

#### Compliance

We have audited the Town of Kinder, Louisiana's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that that could have a direct and material effect on each of the Town of Kinder, Louisiana's major federal programs for the year ended June 30, 2011. The Town of Kinder, Louisiana's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Kinder, Louisiana's management. Our responsibility is to express an opinion on the Town of Kinder, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *"Audits of States, Local Governments, and Non-Profit Organizations"*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Kinder, Louisiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Kinder, Louisiana's compliance with those requirements.

In our opinion, the Town of Kinder, Louisiana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

The Honorable Estes LeDoux, Mayor  
and the Town Council  
Town of Kinder, Louisiana  
December 5, 2011  
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#### Internal Control Over Compliance

Management of the Town of Kinder, Louisiana is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Kinder, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Kinder, Louisiana's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or to detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Town Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor of the State of Louisiana as a public document.

Royce T. Scimemi, CPA, APAC

*Royce T. Scimemi, CPA, APAC*

TOWN OF KINDER, LOUISIANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011

**Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Control deficiencies(s) identified that are not considered to be material weakness(es)? ☒ yes ☐ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

*Federal Awards*

Type of auditors' report issued on compliance for major programs : Unqualified

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Control deficiencies(s) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Any audit findings disclosed that are required to be reported in accordance with 510(a) of Circular A-133?

☐ Yes ☒ no

Identification of major programs:

CFDA Number

10.760

10.760

14.871

Name of Federal Program

USDA Rural Utility Services-Grant

USDA Rural Utility Services-Loan

HUD Section 8 Housing

Dollar threshold used to distinguish Between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

☐ yes ☒ no

**Findings – Financial Statement Audit**

Finding #2011-1 I/C:

Significant deficiency

Inadequate Segregation of Duties

Because of the lack of a large staff, more specifically accounting personnel, there is insufficient segregation of duties necessary for proper controls. I do note that this situation is inherent in most entities of this type and is difficult to solve due to the funding limitations of the Town. I recommend that the Mayor as well as the Town Council take an active interest in the review of all of the financial information. This was also a prior year finding.



Finding #2011-1 C:

Local Governmental Budget Act Compliance

Since actual expenditures in the General Fund, the Section 8 Housing Fund, and the Sales Tax Fund were in excess of budgeted amounts by more than 5%, the Town appears to be in violation of the Louisiana Governmental Budget Act. Also, the Sales Tax Fund, the Section 8 Housing Fund, and the Gaming Fund did not adopt original budgets by the required due dates of the Local Governmental Budget Act.

Finding #2011-2 C:

Article 7, Section 14(A) of Louisiana Constitution of 1974

The Town received grant income that is restricted to use for police overtime in connection with illegal drug activity and impaired drivers. Approximately \$900 of these funds were paid to the Chief of Police in addition to his salary controlled by ordinance. Article 7, Section 14(A) of Louisiana Constitution of 1974 prohibits the Town from giving something of value when it is under no obligation to do so. Since the Town's governing body has established the compensation of the Chief of Police by ordinance and is under no legal obligation to make any other payments to him, it appears they were not properly approved.

**Federal Award Findings and Questioned Costs**

- None

TOWN OF KINDER, LOUISIANA  
MANAGEMENT'S CORRECTIVE ACTION PLAN FOR  
CURRENT YEAR AUDIT FINDINGS AND  
QUESTIONED COSTS (UNAUDITED)  
Year Ended June 30, 2011

**Internal Control and Compliance Material to the Financial Statements**

**2011-1 I/C Segregation of Duties:**

This is an ongoing finding that cannot be corrected due to lack of financial resources and the size of the entity.

Contact Person: Estes LeDoux, Mayor of the Town of Kinder

**Finding #2011-1 C:**

**Local Governmental Budget Act Compliance**

Management is monitoring revenues and expenditures monthly and amending the budget necessary to comply with the Local Governmental Budget Act.

Contact Person: Estes LeDoux, Mayor of the Town of Kinder

**Finding #2011-2 C:**

**Article 7, Section 14(A) of Louisiana Constitution of 1974**

This was an oversight by management. Management was misinformed by the grantor agency with regard to the availability of the compensation to the Chief of Police. Management was provided by the grantor agency two ethics rulings by the Louisiana Board of Ethics informing it that the payment would not be in violation of the Code of Governmental Ethic Section 1112A. Based on this information, management assumed that the additional compensation to the Chief of Police was proper. Management is now aware that the additional compensation cannot be made unless the Mayor and Council amend the appropriate ordinance. The payments to the Chief of Police for overtime discontinued in August 2010 when management became aware of the oversight.

Contact Person: Estes LeDoux, Mayor of the Town of Kinder

TOWN OF KINDER, LOUISIANA  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
Year Ended June 30, 2011

2010-1 I/C Segregation of duties:

Corrective Action Taken: This is an ongoing finding that cannot be corrected due to lack of financial resources and the size of the entity.

2010-1 C: Local Governmental Budget Act Compliance

Corrective Action Taken: Management is monitoring revenues and expenditures monthly and amending the budget necessary to comply with the Local Governmental Budget Act.

2010-2 C: Public Bid Law

Corrective Action Taken: Management is now aware of the requirement and will comply on future purchases.

2010-3 C: Article 7, Section 14(A) of Louisiana Constitution of 1974

Corrective Action Taken: Management has discontinued the questioned payroll disbursements and will continue to comply in the future.